WEEKLY ECONOMIC REVIEW

August 25, 2006

Despite the one percentage point cut in the GST that took effect on July 1, Canadian CPI inflation increased 0.1 per cent fom the previous month and 2.4 per cent from July 2005. According to the Bank of Canada, the 1 per cent GST reduction should have reduced the CPI by 0.5 per cent. Higher prices for energy, shelter and food contributed to the increase. However, core inflation fell 0.2 per cent from June, but was up 1.4 per cent from July 2005.

Rising house prices and mounting cost pressures continue to keep Alberta's inflation rate at high levels. July inflation was up 1.4 per cent from last month and 4.3 per cent from July 2005. Core inflation, which excludes food and energy prices, also increased by a surprising 4.4 per cent in July. The increase is mainly due to a 40.2 per cent increase in homeowners' replacement cost. If shelter was excluded from the Alberta calculation, the 12-month CPI inflation would have been 2.4 per cent.

Retail sales in Alberta increased for the ninth consecutive month, as sales rose 0.5 per cent from May and by a record 17.7 per cent from June 2005. To date, retails sales in Alberta are up 16.8 per cent, compared to the same period last year, which is leagues ahead of second place British Columbia (7.2 per cent) and the national average (6.3 per cent).

Cdn Dollar (C¢/US$)

Aug 25, 2006	90.3¢
Aug 18, 2006	89.0¢
2006-07 YTD	89.1¢

WTI Oil US$/bbl

Aug 24, 2006	$72.36
Aug 17, 2006	$70.06
2006-07 YTD	$71.98

Nymex Natural Gas C$/mcf*

September Contract

Aug 25, 2006	$8.29
Aug 18, 2006	$7.54

*Estimate based on Nymex Futures Market Price

Alberta's agriculture sector continues to struggle. Second quarter farm cash receipts in Alberta were down 10.6 per cent from the same quarter in 2005. In the first half of 2006, receipts were down 5.4 per cent, from the same period last year, compared to a decline of 4.7 per cent nationally. Crop production is expected to decline in 2006 because of dry weather conditions.

The U.S. housing market is cooling. In July, sales of new homes declined by 4.3 per cent from June and by 21.6 per cent from a year earlier. Also, sales of existing homes fell by 4.1 per cent in July, the lowest in two and a half years. The inventory of unsold houses hit a record in July.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Consumer Price Index (1997=100)	**July**			
Alberta	140.8	1.4%	4.3%	3.8%
Canada	130.5	0.1%	2.4%	2.5%
Retail Trade ($ Millions)	**June**			
Alberta	4,746	0.5%	17.7%	16.8%
Canada	32,527	-0.2%	5.8%	6.3%
Farm Cash Receipts ($ Millions)	**2nd Quarter 2006**	**Q / Previous Q**	**Q / Previous Year's Q**	
Alberta	1,831	-11.0%	-10.6%	-5.4%
Canada	8,933	-1.4%	-6.0%	-4.7%

Source: Statistics Canada

[1]Year-to-date 2006 compared to the same time period in 2005. For example: January-June 2006 versus January-June 2005